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### **Global Crossing**

April 4, 2001

### BY OVERNIGHT MAIL

Ms. Magalie Roman Salas Secretary Federal Communications Commission 445 12<sup>th</sup> Street, SW Washington, D.C. 20554

Re: CC Docket No. 96-98

Dear Ms. Salas:

Enclosed for filing please find an original plus four (4) paper copies and one (1) electronic copy of the Comments of Global Crossing North America, Inc. in the above-docketed proceeding.

To acknowledge receipt, please affix an appropriate notation to the copy of this letter provided herewith for that purpose and return same to the undersigned in the enclosed self-addressed envelope.

Very truly yours,

Michael J. Shortley, III

March (2) 2000 (2) 2000 (2)

cc: Ms. Janice Myles (2)

International Transcription Service

## Before the RECEIVED

FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554 APR 5 2001

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In the Matter of	
Implementation of the Local Competition ) Provisions of the Telecommunications Act ) of 1996	CC Docket No. 96-98
) Use of Unbundled Network Elements ) To Provide Exchange Access Services )	

COMMENTS OF GLOBAL CROSSING NORTH AMERICA, INC.

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### Summary

Global Crossing hereby submits these comments in response to the Commission's Public Notice. In the Public Notice, the Commission seeks comment on a series of issues related to whether the Commission should continue or disband its moratorium, established in its *UNE Remand Order*, on the use of UNEs primarily to provide exchange access services. The Commission should eliminate the restriction on carriers utilizing UNEs principally to provide exchange access services.

First, from a technical and economic perspective, UNEs and access services, particularly special access/trunking, are fully interchangeable. Any constraints on the use of UNEs to provide exchange access services are purely artificial. Indeed, the behavior of the ILECs confirms this fact. Certain ILECs, e.g., SBC in certain areas, have insisted -- even contrary to law -- that requesting carriers must acquire completely different entrance facilities for their local and long distance traffic. Not only is this practice enormously wasteful and expensive, it confirms the interchangeable nature of these facilities. Since the Commission issued its Supplemental Order Clarification, other ILECs, e.g., Qwest, have rigorously and, to some extent, erroneously, adhered to the distinctions that the Commission created. Unless UNEs and access services were largely interchangeable, there would be no need for the Commission to have created these distinctions or for ILECs to enforce them.

Second, concerns regarding impairment of universal service are misplaced. The ILECs have consistently downplayed the contribution that special access services have made toward universal service funding, particularly when seeking pricing flexibility for such services. The fact that the ILECs believe that they require increased pricing

flexibility for access services speaks volumes about the lack of significant contribution of such services to universal service or the sustainability of any such contribution.

Third, the Commission may easily make the impairment finding required by section 251(d)(2). In response to the Supreme Court's decision in *Iowa Utilities Board*, the Commission has determined that it will conduct an impairment analysis based upon the totality of the circumstances. Here, a telecommunications carrier is impaired in the ability to provide its own switched interexchange and private line services without access to UNEs principally to provide exchange access services. This is particularly true where the RBOCs have been granted section 271 authority. The RBOCs can provide their long distance services with their input prices essentially priced at an economic-cost based transfer price, while their competitors would otherwise by required to pay inflated access rates

Fourth, at a minimum, the Commission should eliminate or substantially relax its restriction on co-mingling. The ILEC networks are shared-use networks. The ILECs will carry exchange and exchange access services over common facilities in order to take advantage of the efficiencies and economies of aggregating such traffic volumes. The Commission's current co-mingling rules, however, effectively preclude requesting carriers from enjoying the same efficiencies.

# Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of	)
Implementation of the Local Competition Provisions of the Telecommunications Act of 1996	) ) CC Docket No. 96-98 )
Use of Unbundled Network Elements To Provide Exchange Access Services	) ) )

## COMMENTS OF GLOBAL CROSSING NORTH AMERICA, INC.

#### Introduction

Global Crossing North America, Inc. ("Global Crossing") hereby submits these comments in response to the Commission's Public Notice.<sup>1</sup> In the Public Notice, the Commission seeks comment on a series of issues related to whether the Commission should continue or disband its moratorium, established in its *UNE Remand Order*,<sup>2</sup> on the use of unbundled network elements ("UNEs") primarily to provide exchange access services. The Commission should eliminate the restriction on carriers utilizing UNEs principally to provide exchange access services.

First, from a technical and economic perspective, UNEs and access services, particularly special access/trunking, are fully interchangeable. Any constraints on the use of UNEs to provide exchange access services are purely artificial. Indeed, the

Public Notice, CC Dkt. 96-98, Comments Sought on the Use of Unbundled Network Elements To Provide Exchange Access Service, DA 01-169 (Jan. 24, 2001) ("Public Notice").

Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Dkt. 96-98, Third Report and Order and Fourth Notice of Proposed Rulemaking, 15 FCC Rcd 3696 (1999) ("UNE Remand Order").

behavior of the ILECs confirms this fact. Certain ILECs, *e.g.*, SBC in certain areas, have insisted -- even contrary to law -- that requesting carriers must acquire completely different entrance facilities for their local and long distance traffic. Not only is this practice enormously wasteful and expensive, it confirms the interchangeable nature of these facilities. Since the Commission issued its Supplemental Order Clarification,<sup>3</sup> other ILECs, *e.g.*, Qwest, have rigorously and, to some extent, erroneously, adhered to the distinctions that the Commission created. Unless UNEs and access services were largely interchangeable, there would be no need for the Commission to have created these distinctions or for ILECs to enforce them.

Second, concerns regarding impairment of universal service are misplaced. The ILECs have consistently downplayed the contribution that special access services have made toward universal service funding, particularly when seeking pricing flexibility for such services. The fact that the ILECs believe that they require increased pricing flexibility for access services speaks volumes about the lack of significant contribution of such services to universal service or the sustainability of any such contribution.

Third, the Commission may easily make the impairment finding required by section 251(d)(2). In response to the Supreme Court's decision in *Iowa Utilities Board*,<sup>4</sup> the Commission has determined that it will conduct an impairment analysis based upon the totality of the circumstances.<sup>5</sup> Here, a telecommunications carrier is impaired in its

Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Dkt. 96-98, Supplemental Order Clarification, 15 FCC Rcd. 9587 (2000) ("Supplemental Order Clarification").

<sup>&</sup>lt;sup>4</sup> AT&T Corp. v. Iowa Utils. Bd., 525 U.S. 366 (1999).

<sup>&</sup>lt;sup>5</sup> UNE Remand Order, Executive Summary.

ability to provide its own switched interexchange and private line services without access to UNEs principally to provide exchange access services. This is particularly true where the RBOCs have been granted section 271 authority. The RBOCs can provide their long distance services with their input prices essentially priced at an economic-cost based transfer price, while their competitors would otherwise by required to pay inflated access rates

Fourth, at a minimum, the Commission should eliminate or substantially relax its restriction on co-mingling. The ILEC networks are shared-use networks. The ILECs will carry exchange and exchange access services over common facilities in order to take advantage of the efficiencies and economies of aggregating such traffic volumes. The Commission's current co-mingling rules, however, effectively preclude requesting carriers from enjoying the same efficiencies.

### Argument

# I. UNES AND EXCHANGE ACCESS SERVICES ARE TECHNICALLY AND ECONOMICALLY INDISTINGUISHABLE.

The Commission requests comment on the extent to which the markets for local exchange and exchange access services are technically and economically distinct. The use of the term "market" in this context may be somewhat of a misnomer. Local exchange and exchange access services do not constitute separate and distinct markets. From the perspective of both supply and demand substitutability, the two markets are indistinguishable. The ILECs' own behavior strongly confirms the conceptual analysis.

Public Notice at 2.

There is little question that UNEs and exchange access services -- particularly special access/trunking -- are technically interchangeable. As is shown in Attachment A hereto, the same physical facility can be used as a UNE to provide local exchange service -- under the Commission's current rules -- or can be provisioned as a special access/trunking facility that can be utilized to provide exchange access services. As Attachment A shows, a loop-transport combination ("UNE-C") is physically indistinguishable from a special access facility. Indeed, the tariff descriptions of various special access/trunking services essentially mirror the description of the corresponding UNEs contained in interconnection agreements or statements of generally available terms. Technically, the two are indistinct and may thus be substituted freely to provide either local exchange or exchange access services.

Similarly, the two services are highly substitutable from a demand perspective. While it is true that a call to a specific person across the country is not a direct substitute for a call to a specific person across town, the price of one call will affect the demand for the other. As the price of exchange access, and hence the price of interexchange calls, falls in relation to the price for local exchange service, one can expect to see demand for interexchange services, and hence the demand for exchange access services, to rise. And, because the inputs are freely substitutable, there is little economic impediment to prevent carriers from shifting resources to meet changes in demand.

The behavior of the ILECs -- the RBOCs in particular -- confirms that the two "markets" are virtually indistinguishable. Two examples will suffice. Well before the Commission issued its Supplemental Order Clarification, SBC, in certain areas, insisted that carriers utilize separate facilities to carry local and long distance traffic, and refused to provision entrance facilities to carry common traffic. Even if a carrier -- such as

Global Crossing -- wished to offer its customers bundled long distance and local offerings, Southwestern Bell required it to order duplicative facilities, which is totally unnecessary and a tremendous waste of resources. However, it proves Global Crossing's point. If the services and markets were completely distinct, there would be no need for Southwestern to have insisted upon this rigid separation, even though it constituted a clear violation of the Commission's mixed-use regulations.<sup>7</sup>

Once the Commission issued its Supplemental Order Clarification, other RBOCs
-- Qwest for example -- subjected Global Crossing's existing network configuration to
scrutiny to determine if Global Crossing qualified under one of the Commission's three
tests for determining whether it was carrying a significant amount of local traffic in order
to convert its existing facilities to UNE-Cs. Not surprisingly, because Global Crossing
had configured its facilities efficiently to carry both local and long distance traffic, most
of its mixed-use special access circuits did not qualify for conversion. Again, this
example proves Global Crossing's point. UNEs and special access/trunking services
are virtually completely interchangeable.<sup>8</sup>

From a technological and economic perspective, the restrictions contained in the Supplemental Order are highly artificial. The Commission should rescind those restrictions.

At the time, Global Crossing would typically order interstate special access services to carry a combination of local and long distance traffic. Because the interstate portion of a customer's traffic would easily exceed ten percent of the total, it was perfectly consistent with the Commission's regulations for Global Crossing to provision its network in this manner.

The Commission suggests that if the markets are so interrelated from a technological and economic perspective, an impairment finding under section 251(d)(2) of the Act with respect to the provision of local exchange service would entitle competitors to utilize that UNE principally to provide exchange access services. Public Notice at 1. Global Crossing agrees. See also infra at 8-11.

### II. CONCERNS THAT ELIMINATING THE RESTRICTION WILL IMPERIL UNIVERSAL SERVICE ARE MISPLACED.

The Commission requests comment upon the degree to which permitting the use of UNEs principally to provide exchange access services would affect revenue reporting for universal service funding purposes.<sup>9</sup> The issue reflects the Commission's concern - articulated in the Supplemental Order Clarification -- that permitting the use of UNEs principally to provide exchange access services could adversely affect universal service.<sup>10</sup> Concerns regarding universal service are completely misplaced.

First, the Commission's pricing methodology for UNEs is designed to ensure that ILECs recover the economic cost of the UNEs that they sell. <sup>11</sup> To the extent that there is a plausible claim that facilities purchased as UNEs would otherwise be used to contribute to universal service, the short answer is that such a practice would constitute an impermissible implicit subsidy. <sup>12</sup> Moreover, the Commission should recognize that it likely will be the largest ILECs that will face immediate demand for UNEs. There is little evidence to suggest that the universal service obligations of the largest ILECs would

Public Notice at 2.

Specifically, the Commission raises the following issue: "We seek comment on whether a permanent local usage requirement for unbundled network element combinations could impact how carriers classify end user revenue for purposes of interstate universal service contributions."

In response to the Commission's question as posited, Global Crossing does not believe that there will be any such effect. End-user revenue is a function of services provided to end users, not the inputs used for these services. There is no *a priori* reason to believe that any such requirement -- or the removal of the restriction generally -- would result in any change in the reporting of end-user revenues.

See Implementation of Local Competitive Provisions of the Telecommunications Act of 1996, C Dkt. 96-98. First Report and Order, 11 FCC Rcd. 15499, ¶ 738 (1996).

<sup>&</sup>lt;sup>12</sup> See 47 U.S.C. § 254(c).

somehow be placed in jeopardy by permitting UNEs to be used principally to provide exchange access services.<sup>13</sup>

Second, in this regard, the Commission should take strong notice of ILECs' own pleas in requesting additional pricing flexibility for access services generally and for special access/trunking services in particular. In justifying requests for pricing flexibility, particularly for special access/trunking services, the ILECs have consistently downplayed the contribution that such services have made to universal service. These requests -- and the concomitant justifications -- are not new. They date -- at the latest -- to the Expanded Interconnection and Local Transport proceedings, where the Commission recognized the relative lack of contribution that such services provide to universal service. They continue up to the present day where the ILECs demanded and received additional pricing flexibility for their access services. These actions

There is equally little evidence to suggest that the largest ILECs suffer today as a result of the lack of either implicit or explicit support to meet their universal service obligations. Much of what has been termed "universal service" support actually translates to "earnings" support. The average per-line universal service support requirement for the largest ILECs approximates \$1 per-line, per-month. See Federal-State Joint Board on Universal Service, CC Dkt. 96-45, Recommended Decision, 12 FCC Rcd. 87, ¶ 219 (1996). Any "deficit" of this level cannot credibly be claimed to constitute a threat to universal service.

Moreover, it is unclear that many telecommunications carriers would utilize UNEs solely to provide exchange access services. This would result in capacity being idled, for which the UNE purchaser would receive no return on its investment. Thus, the incremental "universal service deficit" from the removal of the current restriction is likely to be minimal.

To the extent that the Commission or state commissions have concerns regarding the universal service effects on smaller ILECs, the commissions are free to address the issue in the context of proceedings under section 251(f) of the Act.

See, e.g., Expanded Interconnection with Local Telephone Company Facilities, CC Dkt. 91-146, Notice of Proposed Rulemaking and Notice of Inquiry, 6 FCC Rcd 3259, ¶ 15 (1991).

E.g., BellSouth Petition for Pricing Flexibility for Special Access and Dedicated Transport Services, CCB/CPD 00-20, Memorandum Opinion and Order, DA 00-2793 (Dec. 15, 2000) (granting BellSouth Phase I and Phase II pricing flexibility without discussion of universal service concerns).

strongly suggest two facts: (1) the contribution that access services generally -- and special access/trunking services, in particular -- make to universal service are minimal; and (2) whatever contribution such services actually make are not sustainable in any event. <sup>16</sup>

III. THE COMMISSION SHOULD CONCLUDE THAT CARRIERS ARE IMPAIRED IN THEIR ABILITY TO PROVIDE SERVICES IN THE ABSENCE OF THE AVAILABILITY OF UNES TO PROVIDE EXCHANGE ACCESS SERVICES.

The Commission requests comment on how it should apply its "impairment" analysis to the use of UNEs principally to provide exchange access services. <sup>17</sup> In the UNE Remand Order, the Commission articulated its "impairment" standard as follows:

taking into consideration the availability of alternative elements outside the incumbent networks, including self-provisioning by a requesting carrier or acquiring an alternative from a third-party supplier, lack of access to that element *materially diminishes* a requesting carrier's ability to provide the service it seeks to offer. In order to evaluate whether there are alternatives actually available to the requesting carrier as a practical, economic, and operational matter, we look to the totality of the circumstances associated with using an alternative. In particular, our "impact" analysis considers the cost, timeliness, quality, ubiquity, and operational issues associated with the use of the alternative. <sup>18</sup>

On the basis of the Commission's definition of the "impairment" standard, the Commission may easily conclude that the absence of availability of UNEs principally to

This is not to say that Global Crossing disagrees with the Commission's decisions to afford increased degrees of pricing flexibility to ILECs based upon the degree of competition that they face. The Commission's policy decisions represent an appropriate regulatory response to the changing telecommunications landscape. Global Crossing's point is that the ILECs cannot have it both ways. The Commission cannot permit ILECs to assume increasing risk yet also have the safety net of the potential of a universal service fund in which to dip in case their pricing decisions are wrong.

Public Notice at 2.

UNE Remand Order, Executive Summary (emphasis in original).

provide exchange access services impairs the ability of requesting carriers to provide their switched interexchange and private line services.

Requesting carriers that would seek to utilize UNEs primarily to provide exchange access services would do so principally to enable them to provide interexchange services. <sup>19</sup> If exchange access rates are priced significantly above economic costs, interexchange carriers are impaired in their ability to provide interexchange services, both as a general matter and, in particular, in competition with the RBOCs' section 272 affiliates.

As a general matter, IXCs are so impaired. To the extent that they are required to purchase access at rates substantially in excess of economic cost, the costs -- and hence prices -- of their own services are artificially raised. Moreover, in terms of ubiquity, at the very least, there are few substitutes for the ILECs' facilities to which IXCs can reasonably turn for the exchange access inputs into their own interexchange services. Because local exchange and exchange access services are characterized by a high degree of substitutability, <sup>20</sup> the same impairment analysis that the Commission utilized to determine those elements that the ILECs must unbundle and provide to requesting carriers for the provision of local services applies equally to the use of such elements for the provision (including self-provision) of exchange access services.<sup>21</sup> There is no principled basis for the Commission to distinguish the two.

Where IXCs seek to compete with the long distance arms of the ILECs, the impairment case is even more compelling. An ILEC's long distance affiliate --

Exchange access represents approximately fifty to sixty percent of the costs of providing interexchange services.

See supra at 3-4.

See Public Notice at 2.

regardless of the price that it actually pays its ILEC affiliate for exchange access services -- effectively receives those services at their incremental cost. When unaffiliated providers compete with an ILEC's long distance affiliate, they are placed at a significant cost disadvantage if exchange access services are priced above economic cost. In most cases, there is little doubt that this is the case. The ILECs' prices for special access versus UNE-Cs demonstrate that an ILEC's long distance affiliate could enjoy a cost advantage that ranges from close to zero to upwards of 75% for this critical input. This type of cost differential makes the Commission's impairment scrutiny virtually a *per se* analysis. In terms of competing with an ILEC's long distance affiliate, the Commission can virtually assume that an unaffiliated competitor is impaired in providing its own interexchange services.<sup>23</sup>

The Commission requests comment on the extent to which the lack of availability of UNEs would impair requesting carriers in their provision of private line services.<sup>24</sup> For essentially the same reasons that requesting carriers would be impaired in the provision of switched interexchange services, requesting carriers would be impaired in their provision of private line services. Special access -- a necessary component to the

While the ILEC affiliate itself may pay the generally prevailing price for exchange access services, that fact is irrelevant to any proper economic analysis. From the perspective of the overall corporate entity, the ILEC's long distance affiliate actually faces only the economic-cost transfer price of the ILEC's access services. Unless unaffiliated competitors also face the same effective transfer price, they are placed at a distinct competitive disadvantage.

If the Commission cannot convince itself that a requesting carrier is generally impaired in providing interexchange services generally, it should, at a minimum, condition future section 271 applications upon the affected RBOC making UNEs available principally for the provision of exchange access services to eliminate this competitive disadvantage in this circumstance.

Public Notice at 2.

provision of private line interexchange services -- constitutes the single costliest input in the provision of private line services. To the extent that special access is overpriced, then requesting carriers must price their private line services higher than necessary. This itself should constitute an impairment under the Commission's "totality of the circumstances" test.

Moreover, although there may be more alternatives available for the special access components of private line services, no carrier can match the ubiquity of the ILEC's exchange networks. In many cases, it may not be possible to find an alternative for at least a portion of the ILEC's special access offerings to serve a particular customer.<sup>25</sup>

# IV. AT A MINIMUM, THE COMMISSION MUST SUBSTANTIALLY EASE ITS RESTRICTIONS ON COMINGLING.

Even if the Commission were to determine that some local service requirement was a prerequisite to the ability of requesting carriers to order UNE-Cs, the co-mingling restrictions contained in the Supplemental Order Clarification are unduly restrictive. In the Supplemental Order Clarification, the Commission enunciated three safe harbors for the availability of loop-transport combinations, only one of which is available without collocation.<sup>26</sup> With respect to the latter safe harbor, a requesting carrier must be able to demonstrate that at least 50% of the activated channels on a circuit are used to provide

For example, while multiple CLECs may serve a particular geographic area, their networks may not extend to a particular building or a particular carrier's POP. In this circumstance, the requesting carrier will have no alternative but to utilize the services of the ILEC.

Supplemental Order Clarification, ¶ 22.

local dial-tone service, 50% of the traffic on each of those channels is local voice traffic and the entire loop facility has at least 33% local voice traffic *before* it can order loop-transport combinations. This restriction effectively negates the availability of loop-transport combinations to provide both exchange *and* exchange access services. In Global Crossing's case, for example, Global Crossing will provide the local switching, but will typically acquire transmission facilities from the ILEC to provide its facilities-based CLEC services. Global Crossing utilizes these transmission facilities to provide both local exchange and long distance services, at least where the ILEC will cooperate. In other words, Global Crossing engineers its network to achieve the greatest degree of efficiency in handling the combined local and long distance volume that it anticipates. This obviously means that it will use the same facilities to carry a combination of local and long distance traffic.

While this strategy may maximize the efficiencies of the facilities Global Crossing acquires from the ILEC -- and accordingly reduce Global Crossing's costs of serving its customers -- it runs directly counter to the Commission's co-mingling restriction. Qwest, for example, audited Global Crossing's traffic -- at Global Crossing's request -- to determine if Global Crossing's existing DS-1/DS-3 facilities qualified for conversion to loop-transport combinations. Given the manner in which Global Crossing configured its facilities, it is not surprising that virtually none of the circuits that Global Crossing acquired from Qwest qualified for conversion. This result is despite the fact that Global Crossing was providing *both* local and long distance services to its customers. It was utilizing none of these facilities solely to self-provision exchange access services.

As a result of Qwest's findings -- which Global Crossing does not generally dispute<sup>27</sup> -- Global Crossing was faced with two choices. It could either continue to enjoy the network efficiencies that it had designed and lose the benefit of UNE-C pricing or it could completely reconfigure its network to comply with the Commission's comingling restriction. Global Crossing ultimately decided to retain its current network configuration, rather than destroy the network efficiencies that it engineered.

In Global Crossing's view, it should not have faced this choice. Even given the Commission's interim determination that a significant amount of local traffic is a prerequisite to the availability of UNE-Cs, Global Crossing did not run afoul of that goal. The Commission's co-mingling restriction is simply too strict. Even the Commission implicitly recognizes this fact. In the Public Notice, the Commission requests comment on whether it should ease this restriction. In particular, it requests comment on whether it should eliminate (or modify) the restriction where ILECs co-mingle local exchange and exchange access traffic.<sup>28</sup>

The Commission should definitely take this action. ILECs' networks -- like those of their competitors -- are mixed-use networks. ILECs should not -- nor should they be required -- to balkanize their networks so that a portion of their network carries local only traffic, while another, segregated portion of their network carries only exchange access traffic. However, just as it would make no sense for the Commission to mandate this type of network engineering for the ILECs, it makes just as little sense for the

There is some issue whether Qwest is insisting upon collocation in circumstances where it is not required. This, however, is a matter that Global Crossing believes can be resolved between the parties.

Public Notice at 3.

Commission to dictate such a result to requesting carriers through its co-mingling restriction. The Commission should eliminate this restriction.<sup>29</sup>

#### Conclusion

For the foregoing reasons, the Commission should act upon the proposals contained in the Public Notice in the manner suggested herein.

Respectfully submitted,

Michael J. Shortley, III John S. Morabito

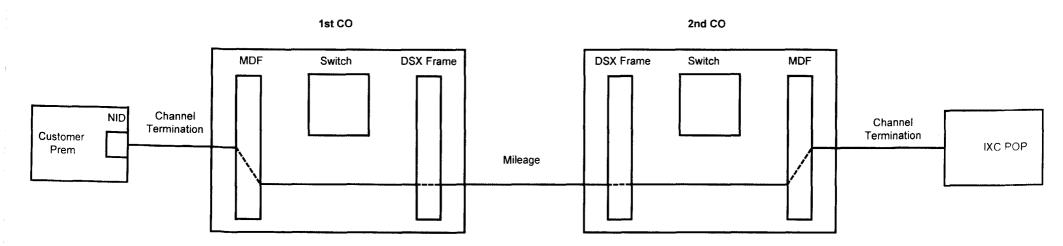
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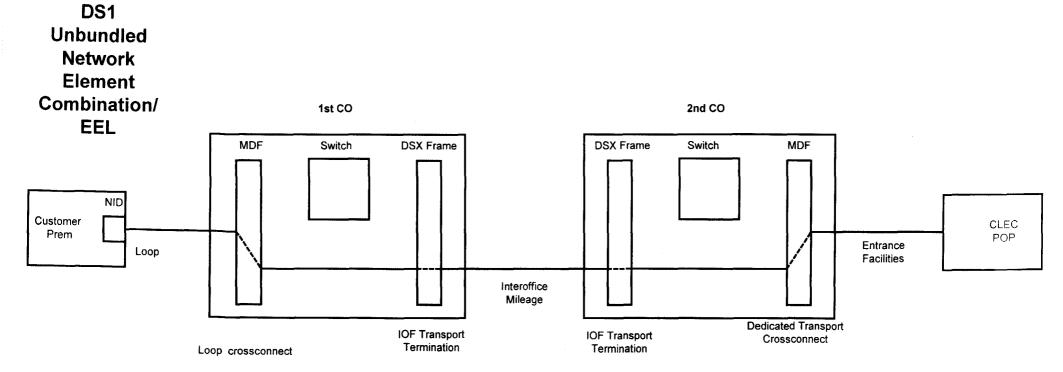
180 South Clinton Avenue Rochester, New York 14646 (716) 777-1028

April 4, 2001

To the extent that the Commission deems some local usage requirement necessary, it could implement such a requirement through a percent local usage reporting requirement.

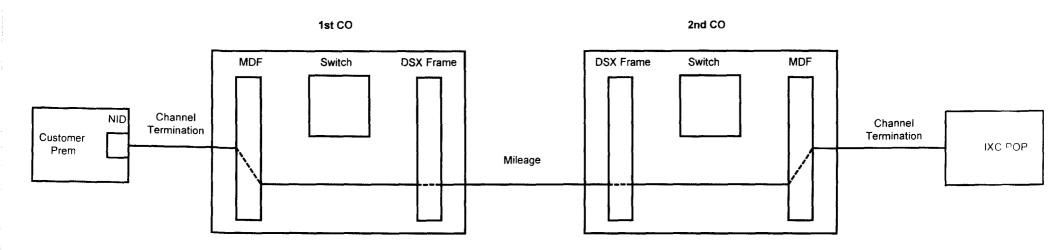
### **DS1 Transport with No Multiplexing**

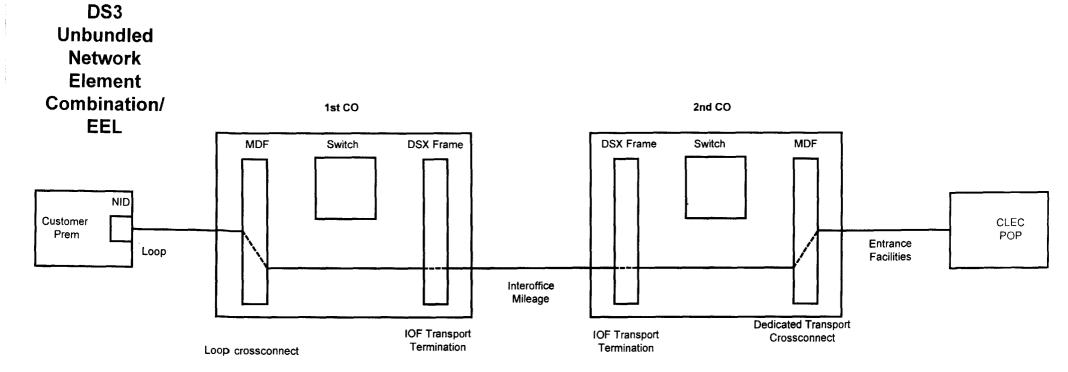


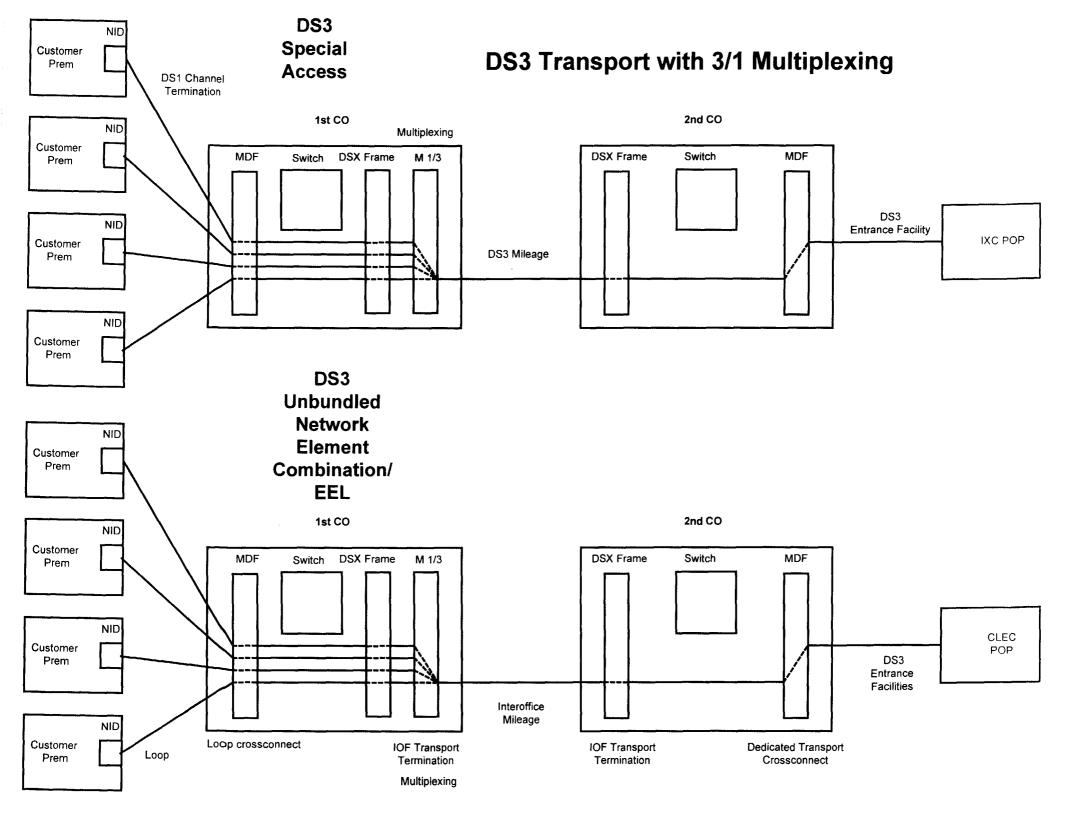


DS3 Special Access

### **DS3 Transport with No Multiplexing**







### **Certificate of Service**

I hereby certify that, on this 4<sup>th</sup> day of April, 2001, copies of the foregoing Comments of Global Crossing North America, Inc. were served by first-class mail, postage prepaid, upon the parties on the attached service list.

Michael J. Shortley, III

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